

FINANCE AND AUDIT COMMITTEE
OF THE
UTILITY DEBT SECURITIZATION AUTHORITY
MINUTES OF THE 2nd MEETING
HELD ON MARCH 24, 2014

The Finance Committee (the “Committee”) of the Utility Debt Securitization Authority (the “Authority”) was convened at 9:20 a.m., pursuant to legal notice given on March 20, 2014; and electronic notice posted on the Long Island Power Authority’s (“LIPA”) website.

The following Trustees of the Authority participated by phone:

Bruce Levy, Committee Chair
Paul Francis
Robert Gurman

Representing the Authority in person were Tom Falcone, Chief Financial Officer; Lynda Nicolino, General Counsel and Secretary; Bobbi O’Connor, Assistant General Counsel; Kenneth Kane, Managing Director of Finance and Budgeting and Donna Mongiardo, Controller.

Also on the phone from KPMG were Todd Flower and John Lathrop.

The Chair welcomed everyone to the Finance and Audit Committee meeting of the Authority.

The Chair stated that the first item on the agenda is the adoption of a resolution recommending Establishment of a Regulatory Asset. After a discussion by the Trustees, the following resolution was unanimously adopted by the Trustees:

RECOMMENDATION FOR APPROVAL OF REGULATORY ASSET RELATED TO DEBT ISSUANCE COSTS

WHEREAS, the Utility Debt Securitization Authority's (the "Authority's") financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standard Board ("GASB"); and

WHEREAS, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, on April 2, 2012 ("GASB No. 65"), which became applicable to the Authority for the fiscal year beginning January 1, 2013; and

WHEREAS, GASB No. 65 would otherwise require the Authority's debt issuance costs be expensed in the current financial period; and

WHEREAS, the Authority is also subject to existing GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, that was issued by GASB on December 30, 2010 ("GASB No. 62"), which outlines regulatory accounting for entities or operations that are rate regulated, and allows the Authority to record costs related to debt issuances as a regulatory asset and amortize these costs over the life of the related debt; and

WHEREAS, based on the applicability of GASB No. 65, Staff recommends that the Authority record such debt issuance costs as a regulatory asset and amortize them over the life of the related debt, as allowed by GASB No. 62; and

WHEREAS, as of December 31, 2013, the Authority's unamortized debt issuance costs totaled approximately \$15 million; and

WHEREAS, Staff recommends that the Board of Trustees approve the creation of a regulatory asset for the Authority's outstanding debt issuance costs as of December 31, 2013, which totals approximately \$15 million, as well as any additional debt issuance costs incurred on and after December 31, 2013, to be recovered over the life of the related debt; and

WHEREAS, the Finance and Audit Committee of the Board has reviewed Staff's recommendation and has deemed the recommendation to be in all respects appropriate:

NOW, THEREFORE BE IT RESOLVED, that the Finance and Audit Committee of the Board hereby recommends that the Trustees approve a resolution presented at this meeting creating a regulatory asset for the Authority's outstanding debt issuance costs as of December 31, 2013, which totals approximately \$15 million, as well as any additional debt issuance costs incurred on and after December 31, 2013, to be recovered over the life of the related debt.

The Chair stated that the next item on the agenda is the discussion of the Year-End 2013 Financial Statement to be presented by Tom Falcone and Donna Mongiardo.

Tom Falcone and Donna Mongiardo presented an overview of the Year-End 2013 Financial Statement.

The Chair entertained a motion to enter into executive session to discuss internal controls.

At approximately 9:38 a.m. the Board of Trustees adjourned into Executive Session to discuss internal controls, which ended at 9:46 a.m.

After noting that no votes were taken in the Executive Session, the meeting of the Finance and Audit Committee reconvened.

The Chair stated that the next item on the agenda is the Adoption of Resolution Recommending Approval of Year-End 2013 Financial Statements. After a discussion by the Trustees, the following resolution was unanimously adopted by the Trustees:

RECOMMENDATION FOR APPROVAL OF UDSA FINANCIAL STATEMENTS INCLUDED IN 2013 ANNUAL REPORT OF THE LONG ISLAND POWER AUTHORITY

WHEREAS, Section 2800(1) of the Public Authorities Reform Act of 2009 requires public authorities such as the Long Island Power Authority (“LIPA”) to prepare an Annual Report; and

WHEREAS, the Utility Debt Securitization Authority’s (the “Authority”) financial statements are consolidated into LIPA’s financial statements and therefore form a part of LIPA’s 2013 Annual Report; and

WHEREAS, Staff recommends that the Board of Trustees approve the Authority’s financial statements that form a part of LIPA’s 2013 Annual Report; and

WHEREAS, the Finance and Audit Committee of the Board has reviewed Staff’s recommendation and has deemed the recommendation to be in all respects appropriate:

NOW, THEREFORE, BE IT RESOLVED, that the Finance and Audit Committee of the Board hereby recommends that the Trustees approve the Authority's financial statements that form a part of the 2013 Annual Report of the Long Island Power Authority, in the form presented at this meeting.

At approximately 9:48 a.m. the Chair entertained a motion to adjourn, which was duly made and seconded.

Respectfully submitted,

Jon Mostel